



June 18, 2007

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Audit Report—City of San Diego, Grant Agreements UBG8-02-7945 and UBG9-03-0223

Enclosed is the final report on our audits of the City of San Diego's (City) Used Oil Block Grant agreements UBG8-02-7945 and UBG9-03-0223 for the periods July 1, 2002 through June 30, 2005 and July 1, 2003 through June 30, 2006, respectively. The Department of Finance, Office of State Audits and Evaluations, performed these audits under an interagency agreement with the California Integrated Waste Management Board. The audits included a review of revenue, expenditures, internal control, and compliance with certain grant agreement provisions.

We found that the City complied with the fiscal requirements of its grant agreements, and its revenue and expenditures were fairly stated. Because there were no audit findings or issues requiring a response, we are issuing the report as final. The enclosed report is for your information and use. A copy has also been sent to the City. In accordance with Finance's policy of increased transparency, the final report will be placed on the Finance website.

We appreciate the City's cooperation during our audit. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Janet I. Rosman, Assistant Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Tom Estes, Deputy Director, Administration and Finance Division, California Integrated Waste Management Board
Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, California Integrated Waste Management Board
Ms. Bonnie Cornwall, Supervisor, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board
Mr. Steven F. Fontana, Deputy Director, Environmental Services Department

GRANT AUDITS

City of San Diego
Used Oil Block Grants
UBG8-02-7945
and UBG9-03-0223
For the Period July 1, 2002
through June 30, 2006

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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The Department of Finance, Office of State Audits and Evaluations, performed these audits under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded two grants to the City of San Diego (City) for participation in the Used Oil Block Grant Program. The grants were in the amount of \$568,895 (UBG8-02-7945) covering the period July 1, 2002 through June 30, 2005, and \$387,056 (UBG9-03-0223) covering the period July 1, 2003 through June 30, 2006. These grant agreements were funded by the Used Oil Recycling Fund.

The objective of these audits was to determine the City's fiscal compliance with the aforementioned grants. The audits also assessed the City's compliance with applicable laws, regulations, and grant agreement requirements, as well as a review of internal control. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the City.

This report is intended for the information and use of Board and City management. However, the report is a matter of public record and its distribution is not limited.

STAFF:

Frances Parmelee, CPA
Manager

Rick Cervantes, CPA
Supervisor

Robert Castillo



INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

We have audited the accompanying City of San Diego's (City) *Statements of Revenue and Expenditures* (Statements) for the following grant agreements and audit periods:

<u>Grant Agreement</u>	<u>Audit Period</u>
UBG8-02-7945	July 1, 2002 - June 30, 2005
UBG9-03-0223	July 1, 2003 - June 30, 2006

These grants were executed between the City and the California Integrated Waste Management Board (Board). These Statements were prepared from the City's records and are the responsibility of City management. Our responsibility is to express an opinion on the Statements based on our audits.

We conducted our audits in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to provide reasonable assurance as to whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared, as described in Note 4, for the purpose of determining the City's fiscal compliance with the aforementioned grant agreements. The Statements are not intended to be a presentation of the City's total revenue and expenditures.

In our opinion, the Statements referred to above present fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreements UBG8-02-7945 and UBG9-03-0223 for the periods stated above in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, and the grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audits; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Generally Accepted Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no instances involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Board and City management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

Janet I. Rosman, CPA
Assistant Chief, Office of State Audits and Evaluations
(916) 322-2985

December 8, 2006

STATEMENT OF REVENUE AND EXPENDITURES

**City of San Diego
Used Oil Block Grant Agreement UBG8-02-7945
For the Period July 1, 2002 through June 30, 2005**

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$ 568,895	\$ 568,895	\$ 0
Interest	<u>7,147</u>	<u>7,147</u>	<u>0</u>
Total Revenue	576,042	576,042	0
Expenditures:			
Permanent Collection Facility	79,766	79,766	0
Temporary/Mobile Collection	54,091	54,091	0
Publicity and Education	196,817	196,817	0
Load Checking Program	5,107	5,107	0
Personnel/Other	<u>240,261</u>	<u>260,261</u>	<u>0</u>
Total Expenditures	<u>576,042</u>	<u>576,042</u>	<u>0</u>
Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUE AND EXPENDITURES

City of San Diego
Used Oil Block Grant Agreement UBG9-03-0223
For the Period July 1, 2003 through June 30, 2006

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
State Grant	\$ 387,056	\$ 387,056	\$ 0
Interest	<u>1,742</u>	<u>1,742</u>	<u>0</u>
Total Revenue	388,798	388,798	0
Expenditures:			
Permanent Collection Facility	57,617	57,617	0
Temporary/Mobile Collection	31,631	31,631	0
Publicity and Education	96,381	96,381	0
Load Checking Program	3,791	3,791	0
Personnel/Other	<u>199,378</u>	<u>199,378</u>	<u>0</u>
Total Expenditures	<u>388,798</u>	<u>388,798</u>	<u>0</u>
Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENTS OF REVENUE AND EXPENDITURES

City of San Diego
Used Oil Block Grant Agreements UBG8-02-7945 and UBG9-03-0223
For the Period July 1, 2002 through June 30, 2006

NOTE 1 Description of the Reporting Entity

The City of San Diego (City) operates as a municipality in accordance with state laws. An elected nine member City Council, including the Mayor, governs the City. The City provides a wide range of services including parks, recreation, police, fire, water, and sewer services. The Environmental Services Department had general responsibility for these grants.

NOTE 2 Program Information

The California Integrated Waste Management Board (Board) administers the California Oil Recycling Enhancement Act, which includes the disbursement of Used Oil Block Grants (UBG) from the Used Oil Recycling Fund.

The Legislature enacted the California Oil Recycling Enhancement Act (Public Resources Code Sections 48600 through 48691) to reduce the illegal disposal of used oil, and to recycle and reclaim used oil to the greatest extent possible. A portion of the account is to be issued as grants to local government and agencies directly responsible for solid waste management. The intent of the grant funds is to encourage local governments to expand, implement, and/or improve their used oil collection opportunities.

NOTE 3 Description of Used Oil Block Grant Agreement

The City's primary goal for the grants was to continue its existing used oil collection program. To achieve this goal, the City incurred costs associated with oil collection, publicity and education, and personnel.

Upon receipt of grant funds, the City deposited and maintained all grant funds in an interest bearing account. All interest accrued and received was used for eligible expenditures related to its specific grant agreement.

NOTE 4**Summaries of Significant Accounting Policies****A. Basis of Presentation**

The Statements presented in this report were prepared from the City's accounts and financial transactions. The Statements summarize revenue and expenditures recorded by the City during the reporting period July 1, 2002 through June 30, 2006.

The Statements summarize the City's transactions pertaining to grant agreements UBG8-02-7945 and UBG9-03-0223 only and are not intended to represent all of the City's financial activities.

B. Basis of Accounting

The City's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.